

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: January 23, 2008

Request for Initial and Final Resolution for Tax Exempt Bond Approval

Prepared by: *Deanna Hamelin*

Issuer:	California Enterprise Development Authority (CEDA)	Amount Requested:	\$6,000,000
Borrower:	Cal-Can Holdings, LLC, and/or a related or affiliated entity	Application No.:	08-0002
User:	Redbarn Pet Products, Inc., and/or a related or affiliated entity	IR & FR No.:	08-0002
Location:	City of Long Beach (Los Angeles County)		

Borrower/User/Background: Cal-Can Holdings, LLC (the “Borrower”) and Redbarn Pet Products, Inc. (the “User”) (collectively the “Company”) were organized in California on December 4, 2003 and September 23, 1997, respectively. The User is a manufacturer of premium, nutritious dog food and treats. The User’s major customers include Petsmart, Petco, Kroger Stores, Ralph’s Supermarkets, Stop & Shop Stores, and independent pet shops.

Project Information: The Company owns the property and existing buildings at 2148 & 2165 West 16th Street in the City of Long Beach (16th Street Sites), which currently house its production, distribution and administrative operations. The Company is in the process of acquiring the land at 2110 West Cowles Street (Cowles Site) from the City of Long Beach Redevelopment Agency. In order to accommodate current needs and projected growth, and in order to improve operating efficiency, the Company will use bond proceeds to construct a 55,000 square foot building at the Cowles Site in the City of Long Beach, which will house the majority of the Company’s manufacturing, distribution, and administrative operations as well as some manufacturing and distribution operations (the “Project”). In addition, bond proceeds will be used for the acquisition of pet food manufacturing equipment and materials handling equipment for the Cowles Site. The Company also plans to use bond proceeds to renovate the existing buildings at the 16th Street Sites, including upgrading plumbing and environmental control systems, to accommodate increased production volumes and acquisition of new production equipment. All together, these components make up the “Project”.

Anticipated Timeline: Construction of the new building at the Cowles site is anticipated to begin soon after the Industrial Development Bonds (IDBs) are issued and will take approximately 18 months to complete. The new equipment will be acquired during this same timeframe.

Prior Actions/Financing: None

Local Government Support: The Company provided a letter from Robert M. Swayze, Economic Development Bureau Manager for the City of Long Beach, in support of the Project. (See Attachment A.)

Statutory Criteria: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification: Points have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

PUBLIC BENEFITS: Consistent with CDLAC guidelines, the CIDFAC staff has awarded a total of 25 verifiable points to the Project. While none of the 25 points awarded are based upon the creation or retention jobs, the User currently employs approximately 154 individuals in California and expects to create a total of 53 new jobs statewide within two years of completion of the project.

RELOCATION OF COMPANY OPERATIONS (No point evaluation required): There is no relocation. The Company will remain in the City of Long Beach.

QUALIFICATION OF BOND ISSUANCE (No point evaluation required): Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status Of Permit/Other Required Approvals:

- The California Enterprise Development Authority adopted an Inducement Resolution for the Project in an aggregate amount not to exceed \$9,000,000 on August 28, 2007.
- A TEFRA hearing was held by City of Long Beach on December 11, 2007.
- The Project involves the acquisition of a vacant parcel of land that is zoned for commercial and light manufacturing uses. No land use or zoning approvals and no permits are required to accommodate the Company's operations. A letter from the City of Long Beach is attached that confirms that no land use or zoning approvals or permits are required for the planned facility. (See Attachment A.)

Financing Details: The tax-exempt IDBs will be sold in a public offering. The bonds will be variable rate bonds repayable over a 25-year period and will be secured by an irrevocable Letter of Credit issued by U.S. Bank.

Financing team:

Issuer:	California Enterprise Development Authority (CEDA)
Bond Counsel:	Kutak Rock LLP
Underwriter:	Gates Capital Corporation
Financial Advisor:	Growth Capital Associates, Inc.

Legal Questionnaire: The Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

Recommendation: Staff recommends approval of Initial and Final Resolution Nos. 08-0002 for an amount not to exceed \$6,000,000 in tax-exempt bonds for Cal Can Holdings, LLC and Redbarn Pet Products, Inc, subject to staff analysis and approval of final bond documents, including bond counsel's opinion, as set forth in Initial and Final Resolution Nos. 08-0002.

**CAL-CAN HOLDINGS, LLC AND
REDBARN PET PRODUCTS INC.,
AND/OR A RELATED OR
AFFILIATED ENTITY**

Bond Amount: \$6,000,000

City of Long Beach (Los Angeles
County)

Application No. 08-0002

January 23, 2008

STAFF SUMMARY – CIDFAC

Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Cal-Can Holdings, LLC (the “Borrower”), Redbarn Pet Products, Inc. (the “User”) and/or related or affiliated entities, collectively (the “Company”), the California Enterprise Development Authority (“CEDA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 08-0002 for an amount up to \$6,000,000. Bond proceeds will be used to finance the acquisition and construction of a new 55,000 square-foot building on a vacant 100,000 foot parcel of land in the City of Long Beach. Proceeds will also be used for the acquisition of equipment for the new facility. In addition, bond proceeds will be used for building renovations at the Company’s current site, which will include upgrading plumbing and environmental control systems.

CDLAC. The Company anticipates receiving allocation at the March 26, 2008 CDLAC meeting.

BORROWER/USER:

The Borrower and the User (collectively, the “Company”) were organized in California on December 4, 2003 and September 23, 1997, respectively. The User is a manufacturer of premium, nutritious dog food and treats. Redbarn Pet Products was started by two friends who believe there is an alternative to feeding dogs plain, dry dog food. The idea was to capture the natural proteins found in fresh meat and to develop dog food that is meat-based, naturally preserved, and convenient to use. The result was the Redbarn Premium Food for Dogs in the roll format. With the help of food nutritionists, the food was perfected and developed into various flavors. The User also manufactures an assortment of premium quality dog treats. The User’s major customers include Petsmart, Petco, Kroger Stores, Ralph’s Supermarkets, Stop & Shop Stores, and independent pet shops.

The principal owners of the Company are as follows:

Jeff Baikie	50%
Howard Bloxam	50%
Total:	100%

Legal Questionnaire. The Staff has reviewed the Company's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Prior Actions and Financings. None.

LOCAL GOVERNMENT SUPPORT:

The Company provided a letter from Robert M. Swayze, Economic Development Bureau Manager for the City of Long Beach, in support of the Project. (See Attachment A.)

PROJECT INFORMATION:

The Company owns the property and existing buildings at 2148 & 2165 West 16th Street in the City of Long Beach (16th Street Sites), which currently house its production, distribution and administrative operations. The Company is in the process of acquiring the land at 2110 West Cowles Street (Cowles Site) from the City of Long Beach Redevelopment Agency. In order to accommodate current needs and projected growth, and in order to improve operating efficiency, the Company will use bond proceeds to construct a 55,000 square foot building at the Cowles Site in the City of Long Beach, which will ~~to house the majority of the Company's manufacturing, distribution, and administrative operations as well as some manufacturing and distribution operations (the "Project")~~. In addition, bond proceeds will be used for the acquisition of pet food manufacturing equipment and materials handling equipment for the Cowles Site. The Company also plans to use bond proceeds to renovate the existing buildings at the 16th Street Sites, including upgrading plumbing and environmental control systems, to accommodate increased production volumes and acquisition of new production equipment. All together, these components make up the "Project".

The anticipated Project and issuance costs are listed below:

Acquisition of Land	\$1,500,000
Construction of New	
Buildings and Building	
Renovations.....	4,380,000
Letter of Credit Fee	120,000
Total:	<u>\$6,000,000</u>

Anticipated Timeline. Construction of the new building at the Cowles site is anticipated to begin soon after the IDBs are issued and will take approximately 18 months to complete. The new equipment will be acquired during this same timeframe.

Status Of Permit/Other Required Approvals:

- The California Enterprise Development Authority adopted an Inducement Resolution in an aggregate amount not to exceed \$9,000,000 for the Project on August 28, 2007.
- A TEFRA hearing was conducted by the City of Long Beach on December 11, 2007
- The Project involves the acquisition of a vacant parcel of land that is zoned commercial and light manufacturing uses. No land use or zoning approvals are required to accommodate the

operations. A letter from the City of Long Beach is attached that confirms that no land use or zoning approvals or permits are required for the planned facility. (See Attachment A.)

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification: Points have been awarded based on evaluation consistent with CDLAC guidelines. However, CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 25 verifiable points to the Project, which are detailed below:

Community Economic Need (15 points):

Poverty Rate of Project Area (5 points): The poverty rate for the Project area is 25%, which is 236% of the statewide average of 10.6%.

Special Designation Area (5 points): The project area is located in a designated State Enterprise Zone within the City of Long Beach.

Median Family Income (5 points): The Project is located in the City of Long Beach, census tract 5755, where the average median family income is \$34,238. Given that the median family income for the State of California is \$53,025, the median family income for the Project area is 64.6% of the statewide average.

Employment Benefits (Job Creation/Retention = 0 points): Although this Project was not awarded points for job creation or job retention, the Company represents that it currently employs 154 individuals at the Project site, which is located in an Enterprise Zone, and it anticipates hiring an additional 53 employees within two years of completion of the Project.

Land Use (5 points): The Company provided a letter from the City of Long Beach stating that the project reuses a previously vacant parcel of land that has all infrastructure improvements in place. (See Attachment A.)

Public Transit Corridor (5 points): The Company provided verification that the Project sites are located within a Public Transit Corridor. The Long Beach Transit System bus routes 191, 192, and 193 run within ¼ of a mile of the Project sites.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** There is no relocation. The Company will remain in the City of Long Beach.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond

purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The tax-exempt Industrial Development Bonds (IDBs) will be sold in a public offering. The bonds will be variable rate bonds repayable over a 25-year period and will be secured by an irrevocable Letter of Credit issued by U.S. Bank.

FINANCING TEAM:

Issuer: California Enterprise Development
Authority (CEDA)
Bond Counsel: Kutak Rock LLP
Underwriter: Gates Capital Corporation
Financial Advisor: Growth Capital Associates, Inc.

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution Nos. 08-0002 for an amount not to exceed \$6,000,000 in tax-exempt bonds for Cal Can Holdings, LLC and Redbarn Pet Products, Inc, subject to staff analysis and approval of final bond documents, including bond counsel's opinion, as set forth in Initial and Final Resolution Nos. 08-0002.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 08-0002

WHEREAS, California Enterprise Development Authority (CEDA) (the “Authority”) has transmitted the application of Cal Can Holdings, LLC, Redbarn Pet Products, Inc. and/or its affiliates (the “Applicant”) for the issuance of \$6,000,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such bonds and that the City of Long Beach has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the undertaking of the Project described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$6,000,000; and

(b) use of the Project described in the application and the operation of the Project described in the application is reasonably necessary to prevent the relocation of

substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the Bond Counsel Opinion, when ready for execution, be submitted to Commission staff;

(b) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Purchase Contract,
- (iv) Bond Resolution,

- (v) Letter of Credit,
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;
- (c) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;
- (d) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);
- (e) that the Commission receive all applicable fees prior to the issuance of the bonds or that the bond documents indicate that funds are available at closing from the proceeds of the bonds and/or funds provided by the Applicant to pay such fees; and
- (f) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

**CITY OF LONG BEACH**

DEPARTMENT OF COMMUNITY DEVELOPMENT

BUSINESS DEVELOPMENT CENTER

110 PINE AVE., SUITE 1100 • LONG BEACH, CALIFORNIA 90802 • (562) 570-3800 • FAX (562) 570-3897

November 20, 2007

Ms. Paula Connors, Executive Director
California Enterprise Development Authority
550 Bercut Drive, Suite G
Sacramento, CA 95814

Re: Redbarn Pet Products, Inc. Project

Dear Ms. Connors:

I am writing in support of the application for Industrial Development Bond ("IDB") financing being submitted for the Redbarn Pet Products, Inc. Project ("Redbarn").

Redbarn is an important member of our local business community. For a number of years the company has created high quality, well paying, permanent jobs for many of our most deserving residents. The City of Long Beach supports this project and has taken steps necessary to facilitate the IDB financing, including conducting the required public TEFRA hearing. We encourage the California Enterprise Development Authority, the California Industrial Development Financing Advisory Commission and the California Debt Limit Allocation Committee to approve Redbarn's application for IDB financing as quickly as possible to avoid any possible delays with the project and future expansion of their business.

Redbarn's project at 2110 West Cowles Street will reuse a vacant parcel of land whose prior use was not agriculture or open space. This property is zoned for commercial and industrial uses and is ideally suited for Redbarn's production operations. Further, adequate infrastructure is in place and no zoning or land use approvals are required for this project. In addition, this site is located in a State-designated Enterprise Zone.

Please do not hesitate to call me at 562.570.3853 if you have any questions regarding the project or the support of the City of Long Beach.

Sincerely,

Robert M. Swayze
Economic Development Bureau Manager

RMS:dm